

*Washington, DC* - With oil and natural gas prices out of control, Congressman Maurice Hinchey (D-NY) today helped introduce a bill to close various regulatory loopholes that have enabled oil, gasoline, and natural gas speculators to artificially drive up the price of the commodities.

Hinchey is an original cosponsor of the 2008 Prevent Unfair Manipulation of Prices (PUMP) Act, which was authored by Congressman Bart Stupak (D-MI).

"Closing these loopholes would help ensure the oil and gas market are not being unfairly manipulated by speculators who are hoping to drive up the price of those commodities simply to make a profit for themselves at the expense of everyone else," Hinchey said. "We have enough problems with the Bush administration's oil policies driving up the price of oil and gas that we don't need speculators out there doing further damage. These speculators are gaming the system and we need to put an end to that right now."

Traditionally, trading of energy commodities such as crude oil, gasoline, and natural gas has taken place with oversight by the Commodity Futures Trading Commission (CFTC). However, as a result of loopholes in the Commodity Exchange Act, an increasing amount of trading occurs on over-the-counter or dark markets, without any CFTC oversight. Without effective oversight, there is no way to know whether energy speculators are basing trades on market realities, or are instead gaming the system to make money at the expense of hard-working Americans.

While provisions in the recently-approved Farm Bill to close some speculation loopholes are a good first step, Hinchey said more must be done to close all of the existing loopholes to prevent manipulation on these markets. The 2008 PUMP Act would close several of the remaining loopholes:

- **Bilateral Trades:** These trades are made between two individuals and are not negotiated on a trading market. Because the Farm Bill only closed the Enron Loophole for electronic exchanges, these bilateral trades remain in the dark.
- **Foreign Boards of Trade:** Petroleum contracts offered on the InterContinental Exchange (ICE), the largest dark market, are cleared on a foreign board of trade in London. Because the Farm Bill did not address foreign boards of trade, these trades will remain in the dark.
- **Swaps Loophole:** By closing the swaps loophole, this would eliminate another major avenue energy speculators use to avoid CFTC oversight.

- Bona Fide Hedging Exemption: A growing number of speculators have taken advantage of an exemption that allows businesses "to hedge their legitimate anticipated business needs." The bill would clarify that "legitimate anticipated business needs" does not mean energy speculators.

The positive impact of greater oversight of oil and natural gas trading is well documented. At a congressional hearing held late last year, Michael Greenberger, a former CFTC Commissioner and professor at the University of Maryland School of Law, testified that better federal oversight of these dark markets could reduce the price of crude oil by as much as \$20 to \$30 a barrel and reduce the price of natural gas by one-third.

The PUMP Act would also strengthen the authority given to the Department of Energy to prosecute manipulation in natural gas and electricity markets.